



An Audit of the Texas Tech University Health Sciences Center

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether Texas Tech University Health Sciences Center (Center):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from March 1, 2020, through Feb. 28, 2021.

Background

The Center is both an institution of higher learning and a place where people come for life-saving medical care. The Center teaches the next generation of doctors, nurses, pharmacists, researchers and health care professionals while simultaneously providing excellent patient care and advancing knowledge through innovative biomedical and clinical research.

Texas Tech University Health Sciences Center website
<https://www.ttuhscc.edu>

Audit Results

The Center generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with the controls over expenditure processing, travel, payroll and fixed assets. However, the Center should consider making improvements to its purchase/procurement and contracts processes.

There were no recurring issues from the prior post-payment audit issued November 2016. An overview of audit results is presented in the following table.



Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Travel and Travel Card Transactions	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Purchase, Payment Card and Contract Transactions</u>	Did purchase, payment card and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Discount not taken.• Missing warrant hold check.• Missing State Auditor's Office nepotism disclosure statement.• Missing Texas Ethics Commission Certificate of Interested Parties (Form 1295).• Failure to report to the LBB.• Missing VPTS.	Compliant, Findings Issued
Fixed Assets	Were tested assets in their intended locations and properly reported in the State Property Accounting system and/or the Center inventory tracking system?	No issues	Fully Compliant
Security	Are Center employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	No issues	Fully Compliant
Internal control structure	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	No issues	Fully Compliant



Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations for the Center include:

- Ensure staff takes advantage of all discounts offered by the vendor.
- Ensure staff verifies vendor warrant hold status before using a payment card for purchases over \$500.
- Ensure staff retains all supporting documents for purchase/procurement and contracts, such as:
 - State Auditor's Office (SAO) nepotism disclosure form.
 - Texas Ethics Commission (TEC) Certificate of Interested Parties (Form 1295).
 - Documentation reporting contract awards/contract amendments and purchases to the Legislative Budget Board (LBB).
 - Documentation reporting purchases over \$25,000 to the Vendor Performance Tracking System (VPTS).



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$209,067.53 from a group of 30 employees involving 116 transactions to ensure that the Center complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Additionally, a limited sample of 10 voluntary contribution transactions was audited. Audit tests revealed no exceptions for these groups of transactions.

Travel and Travel Card Transactions

Auditors developed a sample of 20 travel transactions totaling \$11,900.84 to ensure the Center complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Auditors also developed a sample of 10 travel card transactions totaling \$1,694.40. Audit tests revealed no exceptions for these groups of transactions.

Purchase, Payment Card and Contract Transactions

Auditors developed a sample of 30 purchase transactions totaling \$7,713,965.77. Two contracts with values of \$138,000 and \$2,644,999 were also selected along with a sample of 14 contract payment transactions totaling \$433,033.32 to ensure the Center complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Using reports generated outside the sample, auditors also selected 12 payment card transactions totaling \$13,595.12 for testing. Audit tests revealed the following exceptions for these groups of transactions.

Discount Not Taken

The Center failed to take advantage of a one percent, 10-day discount offered by a vendor amounting to \$1,521.73 for one purchase transaction. According to the Center, the vendor did not list the discount on the invoice received, so the discount was not taken. However, the discount was listed as part of the terms of the contract.

Recommendation/Requirement

The Center must follow its policies and procedures to ensure it is taking advantage of vendor discounts that are beneficial to the state.

The Center must ensure the contract manager approving the invoice for payment informs accounts payable that the contract includes a discount and/or all invoices upon receipt are reviewed to determine if they include a discount. If the Center determines the discount is beneficial to the state, the invoice should be paid promptly. See [eXpendit – Payment Scheduling – Comptroller Policy – Early Payment Discounts](#).



Center Response

The Texas Tech University Health Sciences Center has modified its business processes to ensure that the contract manager informs accounts payable that the contract includes a discount. Upon receipt of invoices associated with a contract that include a discount, accounts payable will forward the invoice to contracting to review and determine if a discount should be taken.

Missing Warrant Hold Check

Auditors identified eight payment card transactions where the Center did not document the verification of the vendor's warrant hold status before making a purchase or executing a contract. The Center must check the vendor's warrant hold status if: the transaction involves a written contract, payment is made with local funds, or a payment card purchase is over \$500.

See [TexPayment Resource – Warrant Hold – Hold Special Circumstances – Local Funds](#) and [Payment Card Purchases](#). The Center cannot proceed with a purchase made with local funds or a payment card purchase over \$500 until the warrant hold has been released. If the vendor is on warrant hold, the Center may not award a written contract unless the contract requires the Center's payments are applied directly toward eliminating the vendor's debt or delinquency. This requirement specifically applies to any debt or delinquency, regardless of when it occurred. See [Texas Government Code, Section 2252.903\(a\)](#) and [eXpendit – Restricted Expenditures – Persons Indebted to the State](#). Per the Center, it is agency policy to perform a warrant hold check on any payment card purchase of \$500 and over; however, it has not been documenting the warrant hold check being conducted.

Recommendation/Requirement

The Center must update its policies and procedures to ensure employees verify vendor warrant hold status before making any payment card purchase over \$500.

Center Response

Texas Tech University Health Sciences Center has published a clear policy statement of the Warrant Hold Check for payment card purchases over \$500 and included it in Operating Procedures. Payment card holder training has been updated on the importance and requirement of completing the verification in advance of any qualifying transaction.



Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$138,000	Staff augmentation	No exceptions	No exceptions	No exceptions	No exceptions	Failure to report to the vendor performance tracking system
Contract B	\$2,644,999	Professional services	No exceptions	No exceptions	<ul style="list-style-type: none"> Missing SAO nepotism disclosure statement. Missing TEC Certificate of Interested Parties (Form 1295). 	Failure to report to the LBB	No exceptions

Missing State Auditor’s Office (SAO) Nepotism Disclosure Statement

Auditors identified one contract where the Center failed to have procurement employees complete and sign the SAO nepotism disclosure statement forms. The Center stated this was due to a misunderstanding of the requirement and, as the result of a recent internal audit, the issue is being resolved as part of changes to the procurement reporting processes.

The SAO defines purchasing personnel as employees of a state agency who make decisions on behalf of the agency or recommend: contract terms or conditions on a major contract; who is to be awarded a major contract; preparation of a solicitation for a major contract; or evaluation of a bid or proposal. See [Texas Government Code, Section 2262.004](#).

Recommendation/Requirement

The Center must ensure all procurement personnel involved in awarding contracts of at least \$1 million sign the SAO disclosure statement for purchasing personnel located on the [SAO website](#). The signed statements must be retained in the contract file.

Center Response

Texas Tech University Health Sciences Center has modified its business processes to require State Auditor’s Office Nepotism Disclosure Statement from employees participating in a formal procurement and/or involved in a contract award with anticipated award value of at least \$1 million.



Missing Texas Ethics Commission Disclosure of Interested Parties Certificate (Form 1295)

Auditors identified one contract that was missing the required Texas Ethics Commission (TEC) Certificate of Interested Parties (Form 1295). Certain contracts valued at \$1 million or more require completion of Form 1295. Before contract award, the vendor must give the agency a completed, signed form with the certificate of filing number and date. The contract developer then acknowledges the form on the TEC website. A reference to Form 1295 should be included in the solicitation to allow the vendor to gather the pertinent information early in the process. See [Texas Government Code, Section 2252.908](#). The Center stated this oversight occurred due to a misunderstanding of the requirement and, as a result of a recent internal audit, the issue is being resolved as part of changes to the procurement reporting process.

Recommendation/Requirement

The Center must ensure any vendor involved in contract awards of \$1 million or more completes Form 1295 located on the [TEC website](#).

Center Response

Texas Tech University Health Sciences Center has modified its business processes to require Texas Ethics Commission Disclosure of Interested Parties Certificate (Form 1295) from vendors involved in a contract award with anticipated value of \$1 million or more.

Failure to Report to the Legislative Budget Board (LBB)

Auditors identified six purchase transactions and one contract where the Center failed to report the contract, contract amendments and renewals to the LBB. [General Appropriations Act \(GAA\), Reporting Requirements, Article IX, Section 7.04](#) requires a state agency that receives an appropriation under the GAA to report to the LBB a contract with a value greater than \$50,000. The Center stated this oversight occurred due to a misunderstanding of the requirement and, as a result of a recent internal audit, the issue is being resolved as part of changes to the procurement reporting process.

Recommendation/Requirement

The Center must report all applicable contracts to the LBB in compliance with the [LBB Contract Reporting Guide](#).

Center Response

Texas Tech University Health Sciences Center has modified its business processes to ensure that all LBB reportable contracts are identified for reporting, and develop a reconciliation process to ensure that all contracts are reported. The University is committed to reporting accurate and complete information that aligns with statutory and LBB reporting requirements.



Failure to Report to the Vendor Performance Tracking System

Auditors identified 23 purchase transactions and one contract the Center failed to report to the Vendor Performance Tracking System (VPTS) as required for contracts over \$25,000. The Center stated that higher education institutions procure goods and services according to [Texas Education Code, Section 51.9335](#) and as a result, are exempt from the VPTS requirement.

The Statewide Procurement Division (SPD) administers a VPTS for use by all ordering agencies per [34 Texas Administrative Code Section 20.115](#). VPTS relies on agency participation to gather information on vendor performance. Ordering entities are also encouraged to report vendor performance for purchases under \$25,000. See [Texas Government Code, Section 2155.089](#) and [Texas Government Code, Section 2262.055](#). While institutions of higher education are exempt from procurement provisions in Title 10, Subtitle D, they must follow the rest of the subtitle. Because the reporting of vendor performance under [Section 2155.089\(c\)](#) is not part of the procurement of goods and services, and cannot occur until the procurement process is complete, it is outside the scope of the [Section 51.9335\(d\)](#) exemption. Although Senate Bill No. 799, 87th Leg., R.S., 2021, amended [Texas Government Code, Section 2155.089\(c\)](#), to exempt institutions of higher education from VPTS reporting requirements for contract solicitations that began on or after Sept. 1, 2021, all of the transactions and contracts reviewed for this audit were solicited prior to the implementation date of the bill.

Recommendation/Requirement

For solicitations that began before Sept. 1, 2021, the Center must report purchases and contracts over \$25,000 to VPTS to identify suppliers demonstrating exceptional performance, aid purchasers in making a best value determination based on vendor past performance and protect the state from vendors with unethical business practices. Reporting should also identify vendors with repeated delivery and performance issues, provide performance scores in five measurable categories for Centralized Master Bidders List (CMBL) vendors, and track vendor performance for delegated and exempt purchases.

Center Response

General Counsel for Texas Tech University System, which includes TTUHSC, argues that higher education institutions are not required to report vendor performance to the Comptroller. University procures goods and services according to Education Code, Section 51.9335. Within this section, Subtitle D, Title 10, Government Code does not apply to procurement for goods and services for higher education. Furthermore, the requirements for vendor performance tracking are found in Government Code, Section 2155.089, from which higher education institutions are exempt. In confirmation of this stance, the 87th Legislature has approved SB 799, which explicitly exempts this reporting for higher education effective Sept. 1, 2021.

Texas Tech University Health Sciences Center is in compliance with current statute in regards to the VPTS so no additional corrective action required.



Comptroller Response

While it may appear at first that Texas Education Code, Section 51.9335(d) exempts institutions of higher education from Government Code, Title 10, Subtitle D, such a broad exemption would conflict with the definition of “state agency” in Chapter 2151, which specifically includes such institutions. Due to that apparent conflict, the references to “acquisition” and “procurement” in Section 51.9335 must be read as limiting the scope of the exemption. Specifically, institutions of higher education are exempt from procurement provisions in Subtitle D but must follow the rest of the subtitle. Because the reporting of vendor performance under Section 2155.089 is not part of the procurement of goods and services and cannot possibly occur until the procurement process is complete, it is outside the scope of the 51.9335(d) exemption. In addition, the fact that the Legislature listed certain acquisition provisions that apply to institutions of higher education, Historically Underutilized Businesses (HUB) and procurement from persons with disabilities, further illustrates the distinction between the acquisition provisions in Subtitle D and the rest of Subtitle D. Both the HUB statutes and the procurement from persons with disabilities provisions affect how goods and services are acquired, specifying procurement processes and for some goods which vendors must be used. Senate Bill No. 799, 87th Leg., 2021, amended [Section 2155.089\(c\), Government Code](#), to exempt institutions of higher education from VPTS reporting requirements for contract solicitations that began on or after Sept. 1, 2021.

Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended locations. Audit tests revealed no exceptions in these transactions.

Security

The audit included a security review to identify any of the Center’s employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner. Audit tests revealed no exceptions.

Internal Control Structure

The review of the Center’s internal control structure was limited to obtaining reports identifying current users’ access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed no exceptions in user access.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
 - Uniform Statewide Accounting System (USAS),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Reporting System (SPRS),
 - Human Resource Information System (HRIS) or
 - The Centralized Accounting and Payroll/Personnel System (CAPPS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of Texas Tech University Health Sciences Center (Center) payroll, purchase/procurement, contracting processes, travel, payment card, fixed assets and controls over expenditure processing that processed through USAS during the period beginning March 1, 2020, through Feb. 28, 2021, to determine compliance with applicable state laws.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

The Center received appendices with the full report, including a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Center should implement the recommendations listed in the Detailed Findings of this report. It is the Center's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may



take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Center's documents comply in the future. The Center must ensure that the findings discussed in this report are resolved.

Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

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Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">• Lack of appropriate and sufficient evidentiary matter.• Restrictions on information provided to auditor.• Destruction of records.	Scope Limitation

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

Repeat Finding Icon Definition



This issue was identified during the previous post-payment audit of the agency.